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ABSTRACT

This guide may be used by charter school operators in developing a business plan that can be used as a management tool in individual schools and in preparing applications for charters, renewals, and grants and loans. A sound business plan must reflect the school's ideas, assets, and needs clearly and succinctly. Drafting a business plan begins with considering: the experience and abilities of organizers; the needs of the school, its students and parents; and the resources available and required. Financial statements required for the business plan include: (1) an annual operating budget; (2) a monthly or quarterly cash flow; (3) projections for 3 to 5 years of income and expenses; and (4) an audited financial statement of the current year. A suggested business plan outline is presented that includes a summary description of the school, a market analysis, the description of a marketing strategy, a management plan, and financial data. A sample plan is presented for a charter school planned for approximately 270 students. (SLD)

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A Guide for Developing a Business Plan For Charter Schools



February 1998

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About this Guide...

This guide may be used by charter school operators in developing a business plan that can be used as a management tool in the operation of individual schools as well as preparing applications for charters, seeking renewals, and applying for grants and loans.

The guide was developed in consultation with both lenders and funders and draws heavily on the experience and previously published resource guides developed by two of the nation's leading experts on charter school financing and operations: **Eric Premack**, director of the California Charter School Development Center in Sacramento, and **Linda Brown**, director of the Massachusetts Charter School Resource Center in Boston.

The guide is being distributed by **Charter Friends National Network**, 1355 Pierce Butler Route, Suite 100, St. Paul, MN 55104; 612/644-5270; (voice) 612-645-0240 (fax); info@charterfriends.org (e-mail); www.charterfriends.org (web site). Individual copies are available to current and prospective school operators at no charge. An electronic version of the guide, including links to a number of additional resources, is available on the Friends Network web site and at the web site of the California Charter School Development Center at <http://www.csus.edu/ier/charter/bizpl.html>

The role of a charter school business plan...

Charter school developers quickly realize that achieving their dreams for changing and improving education requires more than innovative strategies for teaching and learning. Charter schools have many of the same characteristics of start-up small businesses – and face many of the same challenges. The greatest strategies for teaching and learning won't have a chance to succeed if they aren't supported by fiscally and administratively sound organizations.

Achieving that goal requires many of the same skills and tools used by successful small business owners. One such management tool is a business plan – a plan for the financing and operations of a charter school over one or more years.

When developed and used properly, a business plan can also be an effective communication tool in seeking financing for your charter school – whether it comes from banks, other traditional lenders, community development agencies, local governments, or the philanthropic community.

To that end, this brief guide provides some simple, yet important, suggestions for those developing and operating charter schools who want to demonstrate that their school is on a strong fiscal footing. It shows how charters can begin to make the case that their school is a prime candidate for a loan or grant by answering the following fundamental questions:

- Is our schools' current year operating budget in balance?
- Does our school have adequate cash and "working capital" resources to meet our monthly expenses such as payroll, rent, and benefit costs?
- Is our school's long-term fiscal picture in focus and in balance?
- Has our school demonstrated (or has the school's development team demonstrated) that it has the capacity to implement (or establish) sound financial management practices.
- Charter schools that have developed such a business plan are in a strong position to make the case to prospective lenders or donors that their loan will be repaid in a timely manner or their grant will achieve its stated purpose.

Throughout this guide, there are references to on-line resources that will provide more detailed information or specific examples you can use in writing your own business plan and related budgets. A good place to begin is the "US Charterschools" charter school finance resource page with its many links to other charter school financial planning and management resources. That site is located at: http://www.uscharterschools.org/tech_assist/ta_finance.htm

Starting with the basics – a clear understanding of your assets and your needs...

To assist charter school developers achieve their educational goals, a sound business plan must reflect the school's ideas, assets, and needs both clearly and succinctly. It could also be a

component in a larger school-wide strategic plan that addresses the school's short and long-term educational and financial plans in greater detail (See pages 7-9 for the San Carlos (CA) Charter Family Learning Center's long-term strategic plan.)

Before actually developing your business plan you might ask yourself a series of questions that help inventory your assets and needs and help maximize the use of every resource available to you in launching your school. Although some of these questions seem very basic, they can be helpful to newer charter school developers in inventorying and making the best use of your resources. Remember, this list of questions is a tool to use in preparing to begin working on your business plan. The answers don't belong in the business plan, itself.

Questions to address in preparing to draft a charter school business plan...

- 1) Have you or your colleagues worked in a school and/or educational setting similar to the one you want to start?
- 2) Have you or any of your colleagues had any formal business and/or education training?
- 3) Do you know how much money you will need to get the school started?
- 4) Have you decided on a marketing plan?
- 5) Have you talked with other school developers/operators about what they think of the school?
- 6) Can you determine the amount of money you should receive in terms of cost per student?
- 7) Have you tried to find out how well schools similar to the one you want to open are doing in your community and in the rest of the country?
- 8) If you need to hire someone to help you, do you know where to look?
- 9) Do you know what insurance or other benefits to provide your employees?
- 10) Do you have a plan for training your employees?
- 11) Have you talked with the parents and schools (both public and private) in the area?
- 12) Have you determined the type of payment you intend to accept for student fees, etc.?
- 13) Have you talked with an insurance agent about what kind of insurance you need?
- 14) Do you know what equipment and supplies you will need and how much they will cost?
- 15) Can you save money by buying second-hand equipment?
- 16) Have you compared the prices and credit terms of different suppliers?

Financial statements to include in your business plan...

Especially when you're developing a business plan for an entirely new school you'll need to make projections based certain assumptions about your income and expenses. These assumptions should be detailed in your business plan with supporting documentation from research you've done. Since the number of students you will be able to attract in your first and subsequent years is such a critical variable, your business plan should include the research you've done on your student market and marketing strategies you intend to use to attract students.

The projected financial statements should also take into account possible changes in the economy that might affect your revenue and fluctuations during the year in your revenue flow from the state

or other sources. For instance, if your school receives fees and funds from the state on a delayed basis, cash flow may be a problem if expenses can't also be delayed. Your financial projections should also indicate anticipated fluctuations in expenses – for example, if heating your school costs more during certain months or if one-time expenses for supplies must be incurred at the beginning of the year.

To help document and plan for the financing needs of your school, there are four types of financial statements that should be included in your business plan:

1) An annual operating budget (required in your business plan)

An annual operating budget has as its “bottom line” a calculation of your various sources of income minus expenses, equaling either a projected profit or loss for the year. The budget should show revenues by source (e.g., state aid, federal aid, grants, fees, etc.) and expenditure by category (e.g., salaries, benefits, rent, materials, books, services, professional training, utilities, insurance, etc.) for the first year of operations (or upcoming fiscal year for a pre-existing school). For the first year the annual budget should be organized on a monthly basis. (See page 10 for a hypothetical charter school annual operating budget.)

2) A monthly or quarterly cash flow statement

A monthly or annual cash flow statement will show the cash generated and collected from school operations and is generally required by lenders or funders unless your annual budget is broken into monthly columns. This statement will include the same income and expense categories as the annual operating budget. However, it takes last month/quarter and previous cash and adds that into total cash/receipts for the new month/quarter. Naturally, if the school's annual revenues arrive at the school later than its expenditures must be paid, the school will need “working capital” (e.g., a short-term cash flow loan) in order to pay its expenses on time. (See pages 11-12 for an example of a hypothetical charter school monthly cash flow budget.)

3) Three-to-five-year projections of income and expenses (required in your business plan)

A three to five-year projection of anticipated income and expenses will show the planned growth, development and needs of your school over time. This is particularly important for start-up schools that anticipate growth in enrollment due to a gradually expanding number of grades or increasing number of sections in each grade. A rule of thumb when forecasting: “be as conservative and as realistic as possible.” (See pages 13-15 for a hypothetical charter school five-year budget; and a sample of a five year charter school budget included in the “Charter School Handbook” developed and published by the Massachusetts Charter School Resource Center.)

4) An audited financial statement of the most current year

Of course, this applies for established schools and those schools that are fiscally independent of

their charter sponsor. An audited financial statement is one developed by an external, certified public accountant. Schools that are in the planning stages, or in the first year of operations, and do not yet have an annual audited financial statement, should develop a set of financial management policies. These policies would specify who is responsible for preparing and monitoring the school's budget and how the "powers of the purse" are distributed within the school among board members, staff, and others.

Suggested business plan outline

Once you have answered the above questions and assembled the above financial statements, you are ready to begin writing your charter school business plan. To ease your process of assembling information, the following suggested outline has been prepared. All of these sections are generally required by lenders and funders, with the exception of the first overview section. However, having a good concise description of your school will make your grant or loan application easier to consider and will help put your request in an easier understood context.

Remember a good business plan doesn't have to be a book-length document. The following information should be concisely organized in no more than 3-4 pages. In some cases, information may be omitted if it would duplicate information required in charter applications or applications for loans or grants.

I. Summary description of the school

- A. Name and address
- B. School description (grade levels, etc.)
- C. Mission statement
- D. Instructional focus
- E. Governance/administrative structure
 - * Charter accountability (describe briefly how your school plans to remain viable at the time its charter is up for renewal)
 - * Relationship with charter granting agency

II. Market analysis

- A. Description of total market/district(s) which the school will serve
- B. Target market/student population (what segment of district's population you plan to serve?)
- C. Competition - other school(s) seeking the same student population, including private, public, magnet, parochial and other charter schools

III. Marketing strategy

- A. Overall strategy (building awareness among students and parents)
- B. Specific admission and recruiting plans and policies

IV. **Management plan**

- A. Form of business organization (for-profit or non-profit corporation)
- B. Board of directors (owners, partners, or governing board)
- C. Administrator(s): organizational chart and responsibilities (if applicable)
- D. Resumes of key personnel (omit if included with your application)
- E. Staffing plan/number of employees
- F. Facility plan/planned capital improvements (omit if included with your application)
- G. Operating plan/schedule of work for the next year

V. **Financial data**

- A. The appropriate financial statements described above. Your business plan must include at least the annual operating budget and the three-to-five-year projections.
- B. Explanation of assumptions behind your projections
- C. Explanation of use and impact of funds being requested in your grant or loan request

**San Carlos Charter Learning Center
Strategic Plan
1995 - 2000**

Financials



The Charter considers the community to be its classroom.

Originally, charter schools received no startup funding, so the SCCLC would not have been able to open, without substantial grants from philanthropic organizations. An important goal of this plan is to ensure that our school can become self-sustaining with respect to recurring annual costs. Grants will still be aggressively pursued, but their focus will change to funding creative new research and development projects that can enhance our programs and disseminate what we have learned.

The following simplified budgets indicate that the SCCLC program would not have been feasible to date, were it not for the successful attraction of philanthropic grants. Until our enrollment reaches approximately 270 students--our planned steady state level--it will not be possible to be fully self-sustaining without such grants. Our plan is to continue seeking grants after achieving self-sufficiency, but to use these additional revenues for pro-active research and development activities rather than mere survival.

The forecasts which follow were created based on these assumptions:

- Enrollment increases to 260 (steady-state 270) due to break-even analysis
- No increase in A.D.A., lottery, school improvement or instructional supplies
- Educare revenues grow as a steady percentage enrollment
- Each additional full-time staff position costs \$35,000+benefits;
 - annual staff bonuses included as lump sums
- Costs for substitute teachers increase at 5% per year
- 6.68% of A.D.A. is paid to the district for central services
- Salary increases as a percentage of historical data
- Furniture, instructional materials, and equipment roughly constant

- Facilities costs increase proportionally to number of classrooms

Expense Definitions

Staff Related

Includes salaries and benefits for educators, administrators, substitutes, secretary, staff development, Educare, technology and instructional assistants.

Learner Related

Includes books, instructional supplies, copying, and office.

Site Related

Includes rent, maintenance, utilities, technology maintenance.

Contracted Services

Includes special education, legal and district services.

Historical Data: Unaudited Actuals, 1996-1997

| | | |
|-----------------------|-------------------------------|------------------|
| Revenue | A.D.A. Revenue (\$3,100*132) | \$409,200 |
| | Other revenue (\$208*132) | 27,456 |
| | Grants | 154,200 |
| | Educare Revenue | 24,910 |
| | One-Time Startup Funds | 25,000 |
| | Class Size Reduction (650*45) | 29,250 |
| Total Revenue | | \$670,016 |
| Expenses | Staff Related | \$432,514 |
| | Learner Related | 33,500 |
| | Site Related | 94,940 |
| | Contracted Services | 42,166 |
| | Furniture and Equipment | 12,000 |
| Total Expenses | | \$615,120 |
| | Surplus (Deficit) | \$54,896 |

Pro-Forma Data

Forecast, 1997-1998

| | | |
|----------------------|-------------------------------|------------------|
| Revenue | A.D.A. Revenue (\$3,100*156) | \$483,600 |
| | Other revenue (\$218*156) | 34,008 |
| | Grants | 70,000 |
| | Educare Revenue | 29,439 |
| | Class Size Reduction (800*80) | 64,000 |
| | Rollover from 1996-1997 | \$54,896 |
| Total Revenue | | \$735,943 |
| Expenses | Staff Related | \$483,053 |
| | Learner Related | 47,500 |

| | | |
|-----------------------|--------------------------|------------------|
| | Site Related | 100,840 |
| | Contracted Services | 49,962 |
| | Furniture and Equipment | 7,000 |
| Total Expenses | | \$688,355 |
| | Surplus (Deficit) | \$47,588 |

Forecast, 1998-1999

| | | |
|-----------------------|-------------------------------|------------------|
| Revenue | A.D.A. Revenue (\$3,100*230) | \$713,000 |
| | Other revenue (\$218*230) | 50,140 |
| | Grants | 70,000 |
| | Educare Revenue | 43,404 |
| | Class Size Reduction (800*90) | 72,000 |
| | Rollover from 1997-1998 | 47,588 |
| Total Revenue | | \$996,132 |
| Expenses | Staff Related | \$634,370 |
| | Learner Related | 70,032 |
| | Site Related | 112,640 |
| | Contracted Services | 73,567 |
| | Furniture and Equipment | 12,000 |
| | Grant-related R&D | 50,000 |
| Total Expenses | | \$952,609 |
| | Surplus (Deficit) | \$43,523 |

Forecast, 1999-2000

| | | |
|-----------------------|--------------------------------|--------------------|
| Revenue | A.D.A. Revenue (\$3,100*260) | \$806,000 |
| | Other revenue (\$218*260) | 56,680 |
| | Grants | 70,000 |
| | Educare Revenue | 49,065 |
| | Class Size Reduction (800*120) | 96,000 |
| | Rollover from 1998-1999 | 43,523 |
| Total Revenue | | \$1,121,268 |
| Expenses | Staff Related | \$685,209 |
| | Learner Related | 79,167 |
| | Site Related | 124,440 |
| | Contracted Services | 83,162 |
| | Furniture and Equipment | 12,000 |
| | Grant-related R&D | 70,000 |
| Total Expenses | | \$1,053,978 |
| | Surplus (Deficit) | \$67,290 |

| Hypothetical Charter School Annual Operating Budget | | |
|--|---------------------|---|
| Major Assumptions: | | |
| Number of students | -10- 280 | Assuming K-6, 2 classes of 20 per grade |
| Facility square footage | 18,200 | Assuming 65 square feet per student |
| Student:teacher ratio | 20:1 | |
| Average teacher salary | \$ 37,500 | |
| REVENUES | | |
| State and local foundation aid | \$ 1,176,000 | Assuming \$4,200 per student |
| State categorical funding | 98,000 | Assuming \$350 per student |
| Federal categorical funding | 98,000 | Assuming \$350 per student |
| Grants and fundraising | 65,000 | |
| Total Revenues | \$ 1,437,000 | |
| EXPENDITURES | | |
| Salaries | | |
| Director | \$ 65,000 | |
| Teachers | 525,000 | 14 teachers at average salary of \$37,500 |
| Instructional aides | 154,000 | 7 at \$22,000 each |
| Secretary | 24,000 | |
| Benefits | | |
| Retirement | 76,800 | Assume state retirement system at 10 percent of salaries |
| Health | 66,240 | Assume \$240/month per employee |
| FICA | 11,136 | Assume Medicare only, exempt from Social Security |
| Other | 19,200 | Assume 2.5 percent of salaries for workers' comp, unemployment insurance, and other payroll costs |
| Books and Supplies | | |
| Texts and instructional materials | 35,000 | Assume \$125 per student |
| Other books | 21,000 | Assume \$75 per student |
| Software | 10,000 | Assume 40 computers at \$250 each |
| Classroom paper and supplies | 28,000 | Assume \$100 per student |
| Office supplies | 2,400 | Assume \$200/month |
| Janitorial supplies | 3,600 | Assume \$300/month |
| Services and Contracts | | |
| Custodial | 12,350 | Assume 190 days at \$65 |
| Bookkeeping & Audit | 12,000 | Assume \$500/month bookkeeping, \$6,000 audit |
| Legal | 8,000 | Assume \$6,000 retainer, \$2,000 reserve |
| Liability & property insurance | 10,000 | |
| Waste disposal | 1,800 | Assume \$150/month |
| Student testing & assessment | 7,000 | Assume \$25 per student |
| Staff development | 22,500 | Assume \$1,500/teacher plus director |
| Special education consultant | 56,000 | Assume \$200 per student average cost |
| Travel & conferences, board retreat | 13,750 | Assume \$750 per teacher, plus \$2,500 board retreat |
| Internet provider | 8,640 | Assume 40 accounts at \$18/month |
| Postage | 1,440 | Assume \$120/month |
| Copier lease | 3,000 | Assume \$250/month |
| Facilities and Capital | | |
| Rent/lease/mortgage | 185,640 | Assume triple net least at \$0.85/square foot |
| Replace furnishings & equipment | 28,000 | Assume \$100/student |
| Gas/electric | 5,400 | Assume \$450 per month |
| Phone | 2,400 | Assume \$200 per month |
| Security alarm | 1,200 | Assume \$100/ per month |
| Total Expenditures | 1,420,496 | |
| Surplus (Deficit) | 16,504 | |

Hypothetical Charter School Monthly Cash Flow

| | Jul. | Aug. | Sep. | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | Jun. |
|------------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| REVENUES | | | | | | | | | | | | |
| State and local foundation aid | | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 | 106,909 |
| State categorical funding | | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 |
| Federal categorical funding | | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 | 8,909 |
| Grants and fundraising | 65,000 | | | | | | | | | | | |
| Total Revenues | 65,000 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 | 124,727 |
| EXPENDITURES | | | | | | | | | | | | |
| Salaries | | | | | | | | | | | | |
| Director | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 | 5,417 |
| Teachers | | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 | 52,500 |
| Instructional aides | | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 | 15,400 |
| Secretary | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Benefits | | | | | | | | | | | | |
| Retirement | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 | 6,400 |
| Health | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 | 5,520 |
| FICA | 928 | 928 | 928 | 928 | 928 | 928 | 928 | 928 | 928 | 928 | 928 | 928 |
| Other | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 | 1,600 |
| Books and Supplies | | | | | | | | | | | | |
| Texts and instructional materials | | | | 17,500 | | | | | | | | |
| Other books | | | | 10,500 | | | | | | | | |
| Software | | | | 5,000 | | | | | | | | |
| Classroom paper and supplies | | | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 | 2,800 |
| Office supplies | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Janitorial supplies | | | 360 | 360 | 360 | 360 | 360 | 360 | 360 | 360 | 360 | 360 |
| Services and Contracts | | | | | | | | | | | | |
| Custodial | | | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 | 1,235 |
| Bookkeeping & Audit | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| Legal | 667 | 667 | 667 | 667 | 667 | 667 | 667 | 667 | 667 | 667 | 667 | 667 |
| Liability & property insurance | | 10,000 | | | | | | | | | | |
| Waste disposal | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 | 150 |
| Student testing & assessment | | | | | 3,500 | | | | | | 3,500 | |
| Staff development | | | | | 11,250 | | | | | | 11,250 | |
| Special education consultant | | | 5,600 | 5,600 | 5,600 | 5,600 | 5,600 | 5,600 | 5,600 | 5,600 | 5,600 | 5,600 |
| Travel, conferences, board retreat | | | | | | 6,875 | | | | | 6,875 | |

| | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 | 864 |
|------------------------------------|----------|--------|---------|----------|----------|----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------|---------|--------|
| met provider | | | | | | | | | | | | | | | | | | |
| lage | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 | 120 |
| Copier lease | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 |
| Facilities/Capital | | | | | | | | | | | | | | | | | | |
| Rent/lease/mortgage | 30,940 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 | 15,470 |
| Replace furnishings & equipment | | | | 14,000 | | | | | | | | | | | 14,000 | | | |
| Gas/electric | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 | 450 |
| Phone | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| Security alarm | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Total Expenditures | 55,941 | 50,471 | 119,230 | 152,230 | 166,980 | 140,105 | 119,230 | 119,230 | 119,230 | 119,230 | 119,230 | 119,230 | 119,230 | 119,230 | 133,230 | 140,855 | 103,760 | |
| Monthly Surplus (Deficit) | 9,059 | 74,256 | 5,497 | (27,503) | (42,253) | (15,378) | 5,497 | 5,497 | 5,497 | 5,497 | 5,497 | 5,497 | 5,497 | 5,497 | (8,503) | (16,128) | 20,987 | |
| Cash in Bank (Cash Deficit) | \$ 9,059 | 83,315 | 88,812 | 61,308 | 19,055 | 3,677 | 9,174 | 14,671 | 20,168 | 11,665 | (4,463) | 16,504 | | | | | | |

| Hypothetical Charter School Five Year Budget Projection | | | | | |
|--|---------------------|--------------------|--------------------|--------------------|--------------------|
| | Current Year | Year 2 | Year 3 | Year 4 | Year 5 |
| Assumptions | | | | | |
| Revenue Growth | | 0.025 | 0.025 | 0.025 | 0.025 |
| State & local government price deflator (COLA) | | 0.025 | 0.025 | 0.025 | 0.025 |
| Number of additional students/staff | | 0/0 | 0/0 | 0/0 | 0/0 |
| ESTIMATED REVENUES | | | | | |
| State and local foundation aid | \$1,176,000 | \$1,205,400 | \$1,235,535 | \$1,266,423 | \$1,298,084 |
| State categorical funding | 98,000 | 100,450 | 102,961 | 105,535 | 108,174 |
| Federal categorical funding | 98,000 | 100,450 | 102,961 | 105,535 | 108,174 |
| Grants and fundraising | 65,000 | 66,625 | 68,291 | 69,998 | 71,748 |
| Total Revenues | \$1,437,000 | \$1,472,925 | \$1,509,748 | \$1,547,492 | \$1,586,179 |
| ESTIMATED EXPENDITURES | | | | | |
| Salaries | | | | | |
| Director | \$ 65,000 | \$ 66,625 | \$ 68,291 | \$ 69,998 | \$ 71,748 |
| Teachers | 525,000 | 538,125 | 551,578 | 565,368 | 579,502 |
| Instructional aides | 154,000 | 157,850 | 161,796 | 165,841 | 169,987 |
| Secretary | 24,000 | 24,600 | 25,215 | 25,845 | 26,492 |
| Benefits | | | | | |
| Retirement | 76,800 | 78,720 | 80,688 | 82,705 | 84,773 |
| Health | 66,240 | 67,896 | 69,593 | 71,333 | 73,117 |
| FICA | 11,136 | 11,414 | 11,700 | 11,992 | 12,292 |
| Other | 19,200 | 19,680 | 20,172 | 20,676 | 21,193 |
| Books and Supplies | | | | | |
| Texts and instructional materials | 35,000 | 35,875 | 36,772 | 37,691 | 38,633 |
| Other books | 21,000 | 21,525 | 22,063 | 22,615 | 23,180 |
| Software | 10,000 | 10,250 | 10,506 | 10,769 | 11,038 |
| Classroom paper and supplies | 28,000 | 28,700 | 29,418 | 30,153 | 30,907 |
| Office supplies | 2,400 | 2,460 | 2,522 | 2,585 | 2,649 |
| Janitorial supplies | 3,600 | 3,690 | 3,782 | 3,877 | 3,974 |
| Services and Contracts | | | | | |
| Custodial | 12,350 | 12,659 | 12,975 | 13,300 | 13,632 |
| Bookkeeping & Audit | 12,000 | 12,300 | 12,608 | 12,923 | 13,246 |
| Legal | 8,000 | 8,200 | 8,405 | 8,615 | 8,831 |
| Liability & property insurance | 10,000 | 10,250 | 10,506 | 10,769 | 11,038 |
| Waste disposal | 1,800 | 1,845 | 1,891 | 1,938 | 1,987 |
| Student testing & assessment | 7,000 | 7,175 | 7,354 | 7,538 | 7,727 |
| Staff development | 22,500 | 23,063 | 23,639 | 24,230 | 24,836 |
| Special education consultant | 56,000 | 57,400 | 58,835 | 60,306 | 61,814 |
| Travel & conferences, board retreat | 13,750 | 14,094 | 14,446 | 14,807 | 15,177 |
| Internet provider | 8,640 | 8,856 | 9,077 | 9,304 | 9,537 |
| Postage | 1,440 | 1,476 | 1,513 | 1,551 | 1,589 |
| Copier lease | 3,000 | 3,075 | 3,152 | 3,231 | 3,311 |
| Facilities and Capital | | | | | |
| Rent/lease/mortgage | 185,640 | 190,281 | 195,038 | 199,914 | 204,912 |
| Replace furnishings & equipment | 28,000 | 28,700 | 29,418 | 30,153 | 30,907 |
| Gas/electric | 5,400 | 5,535 | 5,673 | 5,815 | 5,961 |
| Phone | 2,400 | 2,460 | 2,522 | 2,585 | 2,649 |
| Security alarm | 1,200 | 1,230 | 1,261 | 1,292 | 1,325 |
| Total Expenditures | \$1,420,496 | \$1,456,008 | \$1,492,409 | \$1,529,719 | \$1,567,962 |
| Surplus/(Deficit) | \$ 16,504 | \$ 16,917 | \$ 17,340 | \$ 17,773 | \$ 18,217 |

"ABC" Charter School Operating Budget: Year 1 through Year 5

| Revenue | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Per Pupil Revenue | \$975,000 | \$1,171,625 | \$1,379,170 | \$1,598,113 | \$1,828,952 |
| Fees | \$15,000 | \$17,500 | \$20,000 | \$22,500 | \$25,000 |
| Student Entitlements | \$75,000 | \$87,500 | \$100,000 | \$112,500 | \$125,000 |
| Total Revenue | \$1,065,000 | \$1,276,625 | \$1,499,170 | \$1,733,113 | \$1,978,952 |
| Expenses | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| SALARIES AND BENEFITS | | | | | |
| Salary-Teachers | \$300,000 | \$408,000 | \$457,776 | \$509,380 | \$606,162 |
| Salary-Administrators | \$67,500 | \$91,800 | \$93,636 | \$143,263 | \$146,128 |
| Salary-Support Staff | \$37,500 | \$51,000 | \$52,020 | \$79,591 | \$81,182 |
| Salary: SPED/Bilingual Staff | \$60,000 | \$81,600 | \$83,232 | \$127,345 | \$129,892 |
| Benefits: Health | \$60,000 | \$80,000 | \$85,000 | \$105,000 | \$115,000 |
| Benefits-FICA | \$34,875 | \$47,430 | \$51,500 | \$64,468 | \$72,252 |
| Benefits-Workers' Comp | \$9,300 | \$12,648 | \$13,733 | \$17,192 | \$19,267 |
| Benefits-Medicare | \$6,743 | \$9,170 | \$9,957 | \$12,464 | \$13,969 |
| Staff Development | \$6,000 | \$8,000 | \$8,500 | \$10,500 | \$11,500 |
| Subtotal | \$581,918 | \$789,648 | \$855,354 | \$1,069,203 | \$1,195,352 |
| SERVICES AND ACTIVITIES | | | | | |
| Special Education/Guidance | \$75,000 | \$87,500 | \$100,000 | \$112,500 | \$125,000 |
| Health | \$22,500 | \$26,250 | \$30,000 | \$33,750 | \$37,500 |
| Custodial | \$15,000 | \$15,000 | \$17,500 | \$17,500 | \$20,000 |
| Transportation | \$15,000 | \$17,500 | \$20,000 | \$22,500 | \$25,000 |
| Media | \$7,500 | \$8,750 | \$10,000 | \$11,250 | \$12,500 |
| Food | \$30,000 | \$35,000 | \$40,000 | \$45,000 | \$50,000 |
| Accounting | \$6,000 | \$6,000 | \$6,000 | \$6,000 | \$6,000 |
| Insurance | \$15,000 | \$17,500 | \$20,000 | \$22,500 | \$25,000 |
| Telephone | \$6,000 | \$6,000 | \$6,000 | \$6,000 | \$6,000 |
| Postage and Shipping | \$15,000 | \$17,500 | \$20,000 | \$22,500 | \$25,000 |
| Phys. Ed. & Extracurricular Activities | \$15,000 | \$17,500 | \$20,000 | \$22,500 | \$25,000 |
| Subtotal | \$222,000 | \$254,500 | \$289,500 | \$322,000 | \$357,000 |
| SUPPLIES AND EQUIPMENT | | | | | |
| Supplies-Instructional | \$45,000 | \$52,500 | \$60,000 | \$67,500 | \$75,000 |
| Supplies-Administrative | \$3,000 | \$4,000 | \$4,000 | \$6,000 | \$6,000 |
| Supplies-General | \$15,000 | \$17,500 | \$20,000 | \$22,500 | \$25,000 |
| Computers | \$30,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Furniture | \$15,000 | \$2,500 | \$2,500 | \$2,500 | \$2,500 |
| Athletic Equipment | \$15,000 | \$2,500 | \$2,500 | \$2,500 | \$2,500 |
| Other Equipment | \$15,000 | \$2,500 | \$2,500 | \$2,500 | \$2,500 |
| Subtotal | \$138,000 | \$91,500 | \$101,500 | \$113,500 | \$123,500 |
| MARKETING AND DEVELOPMENT | | | | | |
| Printing | \$2,500 | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Advertising | \$5,000 | \$7,500 | \$7,500 | \$7,500 | \$7,500 |
| Subtotal | \$7,500 | \$12,500 | \$12,500 | \$12,500 | \$12,500 |
| PHYSICAL PLANT | | | | | |
| Rent | \$175,000 | \$175,000 | \$225,000 | \$225,000 | \$250,000 |
| Utilities | \$10,000 | \$10,000 | \$15,000 | \$15,000 | \$20,000 |
| Maintenance and Repairs | \$10,000 | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| Renovations | \$- | \$- | \$- | \$- | \$- |
| Subtotal | \$195,000 | \$195,000 | \$250,000 | \$250,000 | \$280,000 |
| LOAN RE-PAYMENTS | | | | | |
| Debt Service | \$4,960 | \$5,280 | \$4,968 | \$3,974 | \$3,180 |
| Principal | \$11,000 | \$13,800 | \$11,040 | \$8,832 | \$7,066 |
| Subtotal | \$15,960 | \$19,080 | \$16,008 | \$12,806 | \$10,246 |
| Total Expenses | \$1,160,378 | \$1,362,228 | \$1,524,862 | \$1,780,009 | \$1,978,598 |
| EXCESS (DEFICIT) | \$(95,378) | \$(85,603) | \$(25,692) | \$(46,896) | \$354 |
| Grants and Loans | | | | | |
| GOVERNMENT GRANTS | \$25,000 | \$- | \$- | \$- | \$- |
| PRIVATE GRANTS | \$50,000 | \$75,000 | \$75,000 | \$75,000 | \$75,000 |
| LOANS | \$25,000 | \$5,000 | \$- | \$- | \$- |
| Total Grants and Loans | \$100,000 | \$80,000 | \$75,000 | \$75,000 | \$75,000 |
| BEGINNING FUND BALANCE | \$1,000 | \$5,622 | \$19 | \$49,327 | \$77,431 |
| ENDING FUND BALANCE = "Beginning Fund Balance" + "Excess Deficit" + "Grants and Loans" | \$5,622 | \$19 | \$49,327 | \$77,431 | \$152,785 |

"ABC" Charter School Five Year Budget - continued

| Key Variables | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
|---|----------|----------|----------|----------|----------|
| Number of students (FTE) | 150 | 175 | 200 | 225 | 250 |
| Number of teachers | 8 | 10 | 11 | 12 | 14 |
| Number of administrators | 2 | 2 | 2 | 3 | 3 |
| Number of support staff | 2 | 2 | 2 | 3 | 3 |
| Number of SPED/bilingual staff | 2 | 2 | 2 | 3 | 3 |
| Students per teacher | 20 | 18 | 18 | 18 | 18 |
| Students per administrator | 100 | 75 | 75 | 75 | 75 |
| Students per support staff | 100 | 75 | 75 | 75 | 75 |
| Students per SPED/bilingual staff | 100 | 75 | 75 | 75 | 75 |
| Salary: Teacher | \$40,000 | \$40,800 | \$41,616 | \$42,448 | \$43,297 |
| Salary: Administrator | \$45,000 | \$45,900 | \$46,818 | \$47,754 | \$48,709 |
| Salary: Support staff | \$25,000 | \$25,500 | \$26,010 | \$26,530 | \$27,061 |
| Salary: SPED/bilingual staff | \$40,000 | \$40,800 | \$41,616 | \$42,448 | \$43,297 |
| Payment per student | \$6,500 | \$6,695 | \$6,896 | \$7,103 | \$7,316 |
| Fees per student | \$100 | \$100 | \$100 | \$100 | \$100 |
| Entitlements per student | \$500 | \$500 | \$500 | \$500 | \$500 |
| Total principal owed at beginning of fiscal year | \$55,000 | \$69,000 | \$55,200 | \$44,160 | \$35,328 |
| Annual real growth in teacher salary | | 2% | 2% | 2% | 2% |
| Annual real growth in administrator salary | | 2% | 2% | 2% | 2% |
| Annual real growth in support staff salary | | 2% | 2% | 2% | 2% |
| Annual real growth in SPED/bilingual staff salary | | 2% | 2% | 2% | 2% |
| Annual real growth in payments per student | | 3% | 3% | 3% | 3% |
| Annual real growth in fees per student | | 3% | 3% | 3% | 3% |
| Annual real growth in entitlements per student | | 0% | 0% | 0% | 0% |
| Annual increase in students (FTE) | | 25 | 25 | 25 | 25 |
| Interest rate | 8% | 8% | 8% | 8% | 8% |
| Inflation rate | 0% | 0% | 0% | 0% | 0% |
| Square feet | 17,500 | 17,500 | 22,500 | 22,500 | 25,000 |
| Average debt | \$62,000 | \$66,000 | \$62,100 | \$49,680 | \$39,744 |

Notes

- All projections made in this budget are in FY95 dollars, so that amounts may be evaluated in terms of consistent purchasing power (i.e., inflation rate = 0%). All increases are thus in real dollar terms.
- Increase in per-pupil revenues is due to an expected ratcheting-up of real-dollar spending by 3% annually.
- For Year 3, we project renting 5,000 square feet of additional space to accommodate the increased student population. As a result, total rent increases by \$50,000 and utilities increase 50%.
- See Year 1 operating budget for remaining assumptions.

The long-range budget can be computed for as many years as you desire; as per the DOE Charter School Application, we will prepare a five-year budget. In constructing the long-range budget, follow these steps:

- Use your first-year operating budget, extrapolate to the next four years, noting the assumptions you make about inflation, enrollment growth, etc.
- Add any planned new expenditures.
- Calculate figures for net annual operating costs and net current fund balances.

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Five-year budget for the "ABC" Charter School is shown at left and above.

About the growing role of “Charter Friends...”

Charter Schools are borne out of the passion and commitment of their founders and the educational needs of the students and communities they serve. But, even the best charter founders and operators cannot exist entirely in isolation. They require an infrastructure of technical and informational support to help design quality schools, obtain charters, and launch and successfully sustain their school operations.

In response to these needs, a number of state and sub-state resource centers and other charter support organizations are emerging throughout the country. Some of these organizations were initially established to help build public awareness and legislative support for state charter school laws. Once laws are passed, their attention tends to focus on recruiting and assisting charter applicants and providing charter operators ongoing technical assistance and other forms of support.

These “Charter Friends” organizations assist charters with a variety of issues and needs including school planning, governance, financing, curriculum, assessment and accountability, and other ingredients in starting and running high quality schools. Most are privately funded non-profit organizations, but they sometimes charge fees to help cover the cost of their operations. They attract fiscal and administrative support from foundations, businesses, think tanks, academic institutions, and individuals. They are most often organized on a state-level, but sometimes have a more narrow geographic focus within a state.

About the Charter Friends National Network...

Just as no charter school can succeed in total isolation, state and sub-state “Charter Friends” organizations have found value in the relationships and support they gain from each other. With charter schools now authorized in 29 states and the District of Columbia, both the number of these organizations and the potential for mutual shared support have grown rapidly.

In response to these needs and opportunities, Charter Friends National Network was established in early 1997 as a project of the St. Paul-based Center for Policy Studies in cooperation with Hamline University.

The Network’s mission is to promote the charter opportunity by helping start and strengthen resource centers and other state-level charter support organizations. The Network pursues its mission through publications, conferences, on-line communications, a grant program, and multi-state initiatives on high priority issues. In 1998, these initiatives include charter school accountability, facilities financing, and governance.

Charter Friends National Network began as an expansion of the work of Ted Kolderie, senior associate at the Center for Policy Studies and a leader in the national charter movement from its beginning. Its director is Jon Schroeder, a veteran Minnesota policy analyst and journalist who played a major role in the design and passage of the federal charter grant program while policy director for former U.S. Senator Dave Durenberger. Leading the Network’s outreach initiative is Eric Premack, who heads the Charter School Development Center at California State University in Sacramento and is one of the nation’s top experts on both charter school policy and operations.

For more information on the Network and its activities or to obtain additional copies of this guide contact: Charter Friends National Network, 1355 Pierce Butler Route, Suite 100, St. Paul, MN 55104; 612/644-5270 (voice); 612-645-0240 (fax); info@charterfriends.org (e-mail); www.charterfriends.org (web site). Individual copies of the guide are available to current and prospective school operators at no charge.

**CHARTER FRIENDS
NATIONAL NETWORK**

connecting and supporting state-level charter school initiatives

A project of the Center for Policy Studies in cooperation with Hamline University

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